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CENTRAL INTELLIGENCE AGENCY
OFFICE OF NATIONAL ESTIMATES

16 April 1957

INTERNAL O/NE ONLY

REVISED STAFF MEMORANDUM No. 22-57 (supersedes 22-57 of 12 April 1957)

SUBJECT: The Argentine Situation

CONCLUSIONS

1. Thus far the Provisional Government of the armed forces, headed by General Aramburu has demonstrated a remarkable capacity to survive periodic crises during the 17 months of its existence. We cannot make a firm estimate of political developments. The regime faces serious political and economic problems as it enters the last year of its temporary receivership, and we believe it will become increasingly vulnerable to overthrow. The regime's dilemma is that it has committed itself to an election timetable, and yet no strong party or coalition with which it is in sympathy and to whom it would be willing to transfer power has emerged. The leftist leader of the Radical Party, Arturo Frondizi, is still the chief contender for the

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Presidency in an election. So long as this situation continues, the present regime may attempt to delay elections by retarding revision of the Constitution at the Constituent Assembly. It may also attempt to rig elections against Frondizi. As a last resort, army elements within the regime may attempt to depose Aramburu and forestall elections. If successful, Argentina would then be ruled by an increasingly authoritarian regime, which would eventually have to give way to one commanding mass support.

2. On the other hand, it appears that civilian and military sentiment for elections is fairly widespread. Antagonism to efforts on the part of the regime to blatantly rig or further delay elections might therefore precipitate its overthrow. However, should it appear that sentiment for a duly constituted government is so strong that any military action to forestall elections would precipitate widespread internal disorder, the military may feel compelled to go ahead with elections even if it means Frondizi's victory.

3. The Aramburu regime, which inherited a prostrate economy from Peron, has thus far been unable either to increase agricultural production for export, to attract foreign capital, or to halt Argentina's deteriorating financial situation. Largely for political reasons, it recently abandoned a proposed austerity program in favor of minimal remedial actions designed merely to stall off the impending financial

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crisis until after the presidential elections. Assuming these economic policies continue and that elections are actually held, any new government will almost certainly be faced immediately with a seriously weakened financial position and a balance of payments crisis.

Discussion

4. Since it assumed power in November 1955, the stability of the Provisional Government has been threatened by interservice rivalry, factionalism within the army, subversive Peronist activities, and labor discontent. However, the regime has shown a remarkable capacity for survival chiefly due to two factors: (1) Aramburu's role as that of compromiser among and spokesman for the military junta which exercises the real political power; (2) a general fear among the military supporting the regime of the capabilities of the leftist forces. The regime, in its battle for self-preservation, has attempted to reduce factionalism within the military. It has undertaken periodic purges of dissident senior military officers in order to achieve a greater measure of unity within the regime, and to provide the younger officers important in Peron's ouster with increased opportunity and influence. At the same time, it has thwarted the ambitions of over-zealous younger officers by sending them abroad to attache posts. Recently the regime survived crises precipitated by first the Under Secretary of the Navy, and then the Air Minister, which threatened to undermine the government.

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5. Moreover, the regime has not flinched from dealing firmly with the subversive opposition. It has summarily arrested Peronist, Communist, and nationalist elements whom it has believed to be intent on precipitating its overthrow through sabotage, strikes, and subversion. Although the regime has attempted to placate labor with wage increases and social legislation, it has not succeeded in gaining broad popular support.

6. The Aramburu government is committed to the re-establishment of a democracy and a free economy. Although it has made some progress towards these ends, it has thus far been generally unable to broadly implement its basic program. In mid-1956 the government promised that elections would be held during the last quarter of 1957. Subsequently however, it announced that revision of the Constitution of 1853 would precede elections until early 1958. The government has recently decreed its timetable, delaying national elections for a Constituent Assembly are to be held 28 July 1957 with revision of the Constitution to be undertaken in September and October, a relatively short period for airing conflicting views. General elections are scheduled for 23 February 1958 with the transfer of power to be effected on 1 May 1958.

7. In general, civilian and military sentiment for elections appears strong. However, the regime, essentially conservative in political orientation, is faced with a dilemma. Although it has committed itself

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to elections and recognized 40 parties to compete in these elections, no party or coalition of moderate-conservative orientation has yet appeared which might be able to contest the candidacy of Arturo Frondizi, leader of the dominant leftist faction of the Radical Party, and still the chief contender for the Presidency. Army elements within the regime are strongly opposed to Frondizi, who they believe would head a nationalistic, labor-oriented government.

8. Implementation of the regime's economic program has been hindered by political considerations, particularly by political leaders, who, although initially united by their anti-Peronist orientation, continue to disagree regarding the solutions to Argentina's basic economic problems. The economic situation has shown virtually no improvement since the Aramburu regime came to power. The regime has failed to raise production for export and to attract foreign private investment. Its financial position is precarious. A \$210 million balance of payments deficit is anticipated in 1957. Official gold and dollar reserves at the end of February 1957 totaled \$225 million, compared to \$438 million at the time of Peron's ouster. In order to "stave off national bankruptcy", former Finance Minister Varrier recently proposed sweeping economic reform measures emphasizing austerity and discarding state controls to promote free enterprise; however, crisis within the cabinet

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and the strong opposition of political leaders with some military support, caused the regime to set aside this program in favor of tapping the IIF and other credit sources in Western Europe in order to stall off the impending financial crisis until after elections.

Validity of NIE

9. NIE 91-56 is still basically valid. However it estimated that the Provisional government's chances for effecting an orderly transfer of power to a duly elected civilian government approximately on schedule were "slightly better than even." We believe this estimate should be revised to "about even."

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